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To: Microsoft ATR
Date: 1/23/02 9:05pm
Subject: Microsoft Settlement

To whom it may concern:

As I understand it, I can submit comments on the proposed settlement of the Microsoft Anti Trust case. I am certainly no lawyer, but I want to tell you how I see things as a software professional. I find the proposed settlement next to useless, and the government should pursue much stiffer penalties including fines and breaking the company up.

I used to be a VP at Broderbund, which at the time was the largest consumer software company. During my tenure, there were two occasions where people approached me, about new product ideas. The ideas were original and creative. Our analysis revealed if the products were successful Microsoft would release a similar product either into Windows or Microsoft Office. At that stage the market would wither and make the product uneconomical. Needless to say we dropped the ideas fast. I am sure this happened many more times, as I was not the official channel through which product ideas passed.

Microsoft's reaction to bundling the feature into an existing product is not rational from a shareholder point of view if the market is competitive. Why "give" away a feature that users are prepared to buy? They are not adding new users, as the product requires Windows or Office to run in the first place. The only reasonable explanation is they want to strongly discourage any company from challenging their core monopoly status which generates amazing profits. They use these profits to attack new markets.

IE is a good example. Microsoft probably spent \$50-100 million a year on developing it. Innovation came fast as it competed with Netscape. But they apparently did this with no intention to make revenue? The only explanation is they were worried that Windows might be challenged. Now the browser market is dead. No one will pay for a browser, because even if a new clever one comes along, Microsoft will respond and provide it for free sooner or later.

As a result to the sad list of companies that have been smashed by Microsoft, (DrDOS, Stacker, ...) they have intimidated other companies from even launching new products in their core space. The argument that consumers are winning is false. They have lost because the innovation and quality a competitive market space would bring in operating systems, word processors, and spreadsheets is now gone. No rational company will challenge Microsoft there. So the consumer won for a few years, but must now pay a heavy price.

The software industry is different from traditional service and manufacturing companies. These companies tend to lose efficiency after reaching a certain size. This helps keep the market in balance, and allows mid-tier companies to challenge the leaders as markets shift. Software suffers few negative side effects from scale, and has the added advantage of having "network" effects built in.

In short Microsoft holds a unique position. Companies fear to challenge it in the revenue generation areas (Windows and Office) and likewise they give away products like IE to dominate new markets. Once challengers have been stamped out, they raise prices (such as the new 1 year licensing scheme) and use the massive profits to attack new markets. Market forces seem incapable of stopping this.

I believe a breakup, while drastic, would be beneficial to both the industry and Microsoft shareholders. Both entities would struggle to generate revenue, with Office frantically trying to push people off Windows, and the Windows group struggling to pull people from Office. Consumers would win as a burst of innovation floods the shrink wrap market space (when was the last time you saw a really new software product for your PC at CompUSA). Shareholders would gain as both companies would see revenues rise as they move to a more a la cart pricing structure.

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